



STATE OF SOUTH DAKOTA
M. MICHAEL ROUNDS, GOVERNOR

September 10, 2009

The Honorable Stephanie Herseth Sandlin
United States House of Representatives
Washington, DC 20515

VIA Fax: 202.225.5823

Dear Ms. Herseth Sandlin,

A handwritten signature in cursive script, reading "Stephanie", written in dark ink.

I hope this letter finds you well after your congressional recess. While you were in South Dakota, we began working on the state's budget for Fiscal Year 2011, which will begin July 1, 2010. As you know, the budget for FY 2010 was a challenge. We were able to balance our budget with the help of stimulus dollars. Unfortunately, South Dakota will lose the stimulus dollars for the last 6 months of FY 2011. That, coupled with the record growth in Medicaid numbers and other entitlement programs, paints a very grim picture for our FY 2011 budget.

Last night in his speech, President Obama indicated he would not sign a bill that would add one dime to the budget deficit. If the proposals increased the deficit, he committed to bringing forth additional spending cuts. While this commitment is appreciated, I am concerned the President and Congress will push those costs to the states.

Therefore, it is imperative I reiterate my message from a month ago about burdening the states with new unfunded mandates. The mandatory expansion of Medicaid currently in congressional proposals will simply be unsustainable for states. This expansion would require us to make significant cuts in services to people or collect additional revenues in the form of increased fees or increased taxes.

Health care reform is important. We look forward to seeing the details of the President's proposals so we can further evaluate the impact of the proposals on South Dakota, but the following are a few items I think need to be addressed.

First, the insurance industry needs reforms similar to those recommended by the 1993 NAIC model and similar to those we have already done in South Dakota. Reforms should include guaranteed portability and renewability, as well as moderate rating bands. Reforms to rating bands prevent the pricing of the unhealthy and elderly out of the insurance market and moderate the subsidization by the younger healthier population to prevent that population from going uninsured.

We should also implement reasonable loss ratio requirements, which will make sure the insured are getting a reasonable return of claims for their premium dollars, while at the same time, affording the insurers enough margin to make the insurance market attractive.

Second, reform should focus on delivering high quality, cost effective care to individuals of all ages. There must be reform of the delivery systems and the payment methods to reward quality not quantity.

Third, something needs to be done with the Indian Health Service (IHS). We cannot continue to under fund a system which provides care for some of our neediest citizens. While a 13 percent budget increase in IHS is appreciated, it is a drop in the bucket.

Finally, true health care reform should reduce costs to both the state and federal government. It should not increase our federal budget deficit, and it should not place states in the position where they need to raise taxes or make significant service cuts in order to pay for the mandated expansions.

I look forward to working with you to do what is best for South Dakotans.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Michael Rounds", with a stylized, cursive script.

M. Michael Rounds

MMR:ls



STATE OF SOUTH DAKOTA
M. MICHAEL ROUNDS, GOVERNOR

September 10, 2009

The Honorable Tim Johnson
United States Senate
Washington, D.C. 20510-4104

VIA Fax: 202.228.5765

Dear Senator Johnson, *Tim*

I hope this letter finds you well after your congressional recess. While you were in South Dakota, we began working on the state's budget for Fiscal Year 2011, which will begin July 1, 2010. As you know, the budget for FY 2010 was a challenge. We were able to balance our budget with the help of stimulus dollars. Unfortunately, South Dakota will lose the stimulus dollars for the last 6 months of FY 2011. That, coupled with the record growth in Medicaid numbers and other entitlement programs, paints a very grim picture for our FY 2011 budget.

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M. Michael Rounds

MMR:ls



STATE OF SOUTH DAKOTA
M. MICHAEL ROUNDS, GOVERNOR

September 10, 2009

The Honorable John Thune
United States Senator
Washington, DC 20510

VIA Facsimile: 202.228.5429

Dear Senator Thune,

I hope this letter finds you well after your congressional recess. While you were in South Dakota, we began working on the state's budget for Fiscal Year 2011, which will begin July 1, 2010. As you know, the budget for FY 2010 was a challenge. We were able to balance our budget with the help of stimulus dollars. Unfortunately, South Dakota will lose the stimulus dollars for the last 6 months of FY 2011. That, coupled with the record growth in Medicaid numbers and other entitlement programs, paints a very grim picture for our FY 2011 budget.

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M. Michael Rounds

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